

**FRANCHISE TAX BOARD
MINUTES
DECEMBER 2, 2003**

The Franchise Tax Board met in open session at 1:00 p.m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, California. Present were Hon. Steve Westly, Ms. Betty Yee, representing Hon. Carole Migden, and Connie Squires, representing Hon. Donna Arduin.

Franchise Tax Board

Staff Participating: Will Bush, John W. Davies, Donald L. Buxton, Lisa Crowe, Brian Putler, Lynette Iwafuchi, Titus Toyama, Debbie Newcomb, John Vrana and Claudette Romo.

Others Participating: Allen Budzichowski, from EA\$Ytax; Lenny Goldberg, from California Tax Reform Association; Richard Harris, Attorney at Law; Joseph Lang, from Lang, Hansen, O'Malley & Miller; Gina Rodriguez, from Spidell Publishing; Whitney MacDougall, from Intuit; Patrick Shannon, from Mayer Brown, Rowe & Maw, LLP; Atilla Taluy, from FileYourTaxes.com; and William Gregory Turner, from California Taxpayers Association.

Item 1. - Approval of Board Minutes

The minutes of the September 17, 2003 Franchise Tax Board meeting were unanimously approved.

Item 2. – Legislative Matters

The Board voted 2-0 (Ms. Squires abstaining) to adopt the following proposals:

LP 04-03 Modify The Penalty For Failing to Withhold At Source
LP 04-07 Taxation of Nonresidents: Federal Preemption
LP 04-08 Disclosure of Return and Return Information for Personnel Matters
LP 04-10 Extend Voluntary Disclosure Program to Limited Liability Companies
LP 04-12 Coordination of U.S.-Source Income & Subpart F Water's-Edge Partial Inclusion
LP 04-14 Innocent Spouse/Election Period Technical Clean Up

The Board heard from Greg Turner, California Taxpayers' Association, regarding LP 04-03 and LP 04-12.

Item 3. – NetFile/E-File

The Board voted 2-0 (Ms. Squires abstaining) for FTB to continue to offer existing free NetFile to taxpayers with a two-year moratorium on any further enhancements in exchange for industry's agreement to continue to provide free e-filing as it has in the past. Staff was directed to focus on ensuring that FTB is providing essential privacy and security measures, with periodic reports to the Board.

The Board heard from the following persons in connection with this item:

Lenny Goldberg, from California Tax Reform Association; Greg Turner, from California Taxpayers Association; Joseph Lang, from Lang, Hansen, O'Malley & Miller, representing Intuit; Whitney MacDougall, from Intuit; Atilla Taluy, from FileYourTaxes.com; and Allen Budzichowski, from EasyTax.

Portions of a letter from H&R Block were read into the record.

Item 4. – Current Status of the Department's Relationships with Third-Party Collection Agents

The Board received a staff report on this agenda item.

The Board heard from Patrick Shannon of Mayer, Brown, Rowe & Maw regarding this item.

Item 5. – Child Support

The Board received an update from staff on the status of the Child Support automation project.

Item 6. – Administrative Matters

Request for Board approval:

Contracts Over \$1 Million – Lexis-Nexis

The Board unanimously approved this contract.

Item 7. – Executive Officer's Time

There was no discussion under this item.

Item 8. – Board Members' Time

Chair Westly announced that he would serve as the Board's representative for the Streamlined Sales Tax Project, as established by Senate Bill 157.

Item 9. Taxpayers' Bill of Rights Hearing

See attached Taxpayers' Bill of Rights Hearing, Franchise Tax Board, Minutes, December 2, 2003.

Chair Westly announced the agenda for the Closed Session pursuant to Government Code section 11126.3.

The meeting was adjourned at 2:50 p.m.

Board Secretary

Date